

STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES  
Land Division  
Honolulu, Hawaii 96813

February 23, 2007

Board of Land and Natural Resources  
State of Hawaii  
Honolulu, Hawaii

Hawaii

Consent to Assign General Lease No. S-5642, JJCO Inc., Assignor, to JJCO Properties, LLC, Assignee, Waiakea, South Hilo, Hawaii, Tax Map Key:3<sup>rd</sup>/2-2-32:62.

APPLICANT:

JJCO Inc., as Assignor, to JJCO Properties, LLC, a Hawaii Limited Liability Company, whose business and mailing address is 2945 N. Nimitz Hwy. Honolulu, Hawaii, 96819, as Assignee.

LEGAL REFERENCE:

Section 171-36(a)(5), Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Government lands situated at Waiakea, South Hilo, Hawaii, identified by Tax Map Key:3<sup>rd</sup>/2-2-32:62, as shown on the attached map labeled Exhibit A.

AREA:

.8102 acres, more or less.

TRUST LAND STATUS:

Section 5(b) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: NO

CHARACTER OF USE:

Business, commercial or light industrial purposes as allowed under county zoning.

TERM OF LEASE:

30 years, commencing on 12/01/04 and expiring on 11/30/34. The first rental reopening is scheduled for 12/01/24.

ANNUAL RENTAL:

\$27,175.00.

CONSIDERATION:

\$ 0.

RECOMMENDED PREMIUM:

\$0. (Refer to Exhibit B attached.)

DCCA VERIFICATION:

ASSIGNOR:

Place of business registration confirmed:	YES <u>X</u>	NO <u>  </u>
Registered business name confirmed:	YES <u>X</u>	NO <u>  </u>
Good standing confirmed:	YES <u>X</u>	NO <u>  </u>

ASSIGNEE:

Place of business registration confirmed:	YES <u>X</u>	NO <u>  </u>
Registered business name confirmed:	YES <u>X</u>	NO <u>  </u>
Good standing confirmed:	YES <u>X</u>	NO <u>  </u>

REMARKS:

General Lease No. S-5642 was sold at public auction on 10/21/03 to the JJCO, Inc., the corporate name for Jackson Auto Group. Terms of the lease required the Lessee to obtain County of Hawaii SMA approval before any construction began on the property. Approval was obtained from the county Planning division on 6/4/04.

The commencement date for this lease was 12/01/04. Construction of the improvements was completed in June 2006. The Lessee currently utilizes the property for service and repairs as well as retail sales of parts for their Volvo line of vehicles.

The purpose of this assignment is for internal bookkeeping purposes for the owner. They wish the lease to be held by the property management division of their organization.

The Lessee is compliant with all the terms and conditions of the lease with regard to rent, insurance and performance bond requirements.

There are no outstanding rental reopening issues at this time. The annual rent will be increased five percent (5%) every five (5) years, at the end of the fifth (5<sup>th</sup>), tenth (10<sup>th</sup>), and fifteenth (15<sup>th</sup>) years, until the reopening of the twentieth (20<sup>th</sup>) year. The effective annual rent at the end of the twentieth (20<sup>th</sup>) year to the end of the thirtieth (30<sup>th</sup>) year of the lease shall be the annual rent or the percentage annual rent, whichever is higher.

The Assignee has not had a lease, permit, easement or other disposition of State lands terminated within the last five years due to non-compliance with such terms and conditions.

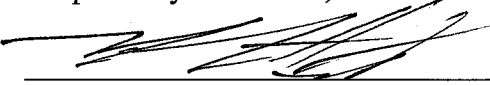
Staff is recommending that the Board consent to the Assignment of General Lease NO. S-5642 from JJCO, Inc., Assignor to JJCO Properties, LLC, Assignee.

RECOMMENDATION:

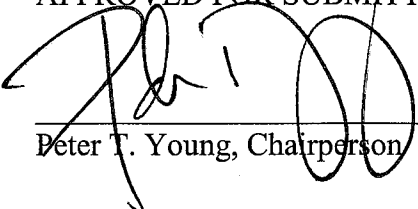
That the Board consent to the assignment of General Lease No. S-5642 from JJCO Inc., as Assignor, to JJCO Properties, as Assignee, subject to the following:

1. The standard terms and conditions of the most current consent to assignment form, as may be amended from time to time;
2. Review and approval by the Department of the Attorney General; and
3. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,

  
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Gordon C. Heit  
Land Agent

APPROVED FOR SUBMITTAL:

  
\_\_\_\_\_  
Peter T. Young, Chairperson



Original parcels: 5, 9, 17, 30, 37, 39, 41, 45, 43, 44, 46, 47, 48, 49, 50, 61, 51, 52, 53, 54, 55, 57, 58, 59, 63.

SUBJECT TO CHANGE

**TMK: 3<sup>RD</sup>/2-2-32:62**



LINDA LINGLE  
GOVERNOR OF HAWAII

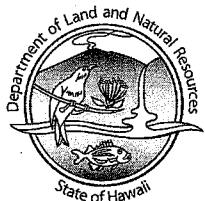


**EXHIBIT B**

PETER T. YOUNG  
CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
COMMISSION ON WATER RESOURCE MANAGEMENT

ROBERT K. MASUDA  
DEPUTY DIRECTOR

AQUATIC RESOURCES  
BOATING AND OCEAN RECREATION  
BUREAU OF CONVEYANCES  
COMMISSION ON WATER RESOURCE MANAGEMENT  
CONSERVATION AND COASTAL LANDS  
CONSERVATION AND RESOURCES ENFORCEMENT  
ENGINEERING  
FORESTRY AND WILDLIFE  
HISTORIC PRESERVATION  
KAHOOLAWE ISLAND RESERVE COMMISSION  
LAND  
STATE PARKS



**STATE OF HAWAII**  
**DEPARTMENT OF LAND AND NATURAL RESOURCES**  
**LAND DIVISION**

POST OFFICE BOX 621  
HONOLULU, HAWAII 96809

February 2, 2007

MEMORANDUM

TO: Peter T. Young, Chairperson

THROUGH: Russell Y. Tsuji, Land Division Administrator

FROM: Cyrus C. Chen, Real Estate Appraisal Manager

SUBJECT: Assignment Premium Calculation

GL No.: S-5642  
Lessee/Assignor: JJCO, Inc.  
Assignee: JJCO Properties, LLC  
Location: Waiakea, South Hilo, Hawaii  
Lease Area: 0.8102 acres  
Tax Map Key: (3) 2-2-32: 62

RECEIVED  
LAND DIVISION  
HONOLULU, HAWAII

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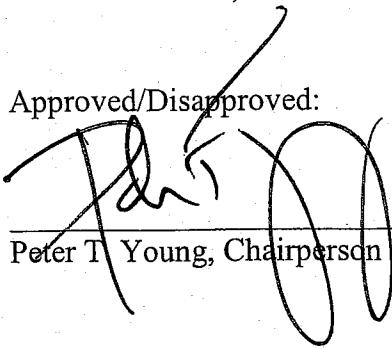
We have been requested to provide an in-house evaluation for the assignment premium due to the State for an assignment of GL S-5642. The lease is subject to the Assignment of Lease Evaluation Policy. Conversations with Russell Wong, Vice President of JJCO, Inc., indicates the original intention when they acquired the lease via auction in 2004 was to have JJCO Properties, LLC to be the holding company of all real estate assets of JJCO, Inc. When the company paid the deposit for the lease, they used a JJCO, Inc. check and that is why JJCO, Inc. is named as the Lessee on the lease. They request to have JJCO Properties, LLC to be assigned the lease and named as Lessee.

The auto retail business has inherent risk of liability. In order to reduce exposure of the entire company, the Lessees wish to keep the real estate assets and the retail operation as separate entities though they are related companies. JJCO Properties financed the construction of the building, which is now used as a car dealership in S. Hilo. Therefore, it also makes sense for JJCO Properties to be the Lessee of record for the subject lease.

Mr. Wong indicates there is no profit being realized from this pending internal transfer. It is basically a transfer of the lease from one related company to another. He confirms there is no transfer of ownership or stock involved.

Therefore, as of February 2, 2007, we conclude no assignment premium due.

Approved/Disapproved:

  
\_\_\_\_\_  
Peter T. Young, Chairperson

FEB 06 2007

\_\_\_\_\_  
Date

cc: District Branch Files  
Central Files